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# Childcare and the Labor Market

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*The views expressed here do not necessarily reflect the views of the Federal Reserve Bank of Chicago or the Federal Reserve System.*

# What is the Spotlight on Childcare and the Labor Market?

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Targeted effort to understand ways in which lack of access to childcare is a barrier to employment in the 7<sup>th</sup> District

Research, analysis, interviews and case studies can be found here: [Spotlight on Childcare and the Labor Force: About - Federal Reserve Bank of Chicago \(chicagofed.org\)](https://www.chicagofed.org/spotlight-on-childcare-and-the-labor-force)

# Why is the Chicago Fed interested in Childcare?

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Feedback from outreach calls

Alignment with maximum employment mandate

# What have we learned?

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**Caring for young children impacts working and hiring**



**Finding childcare at the right time in the right places at an affordable price is an ongoing challenge for working parents**



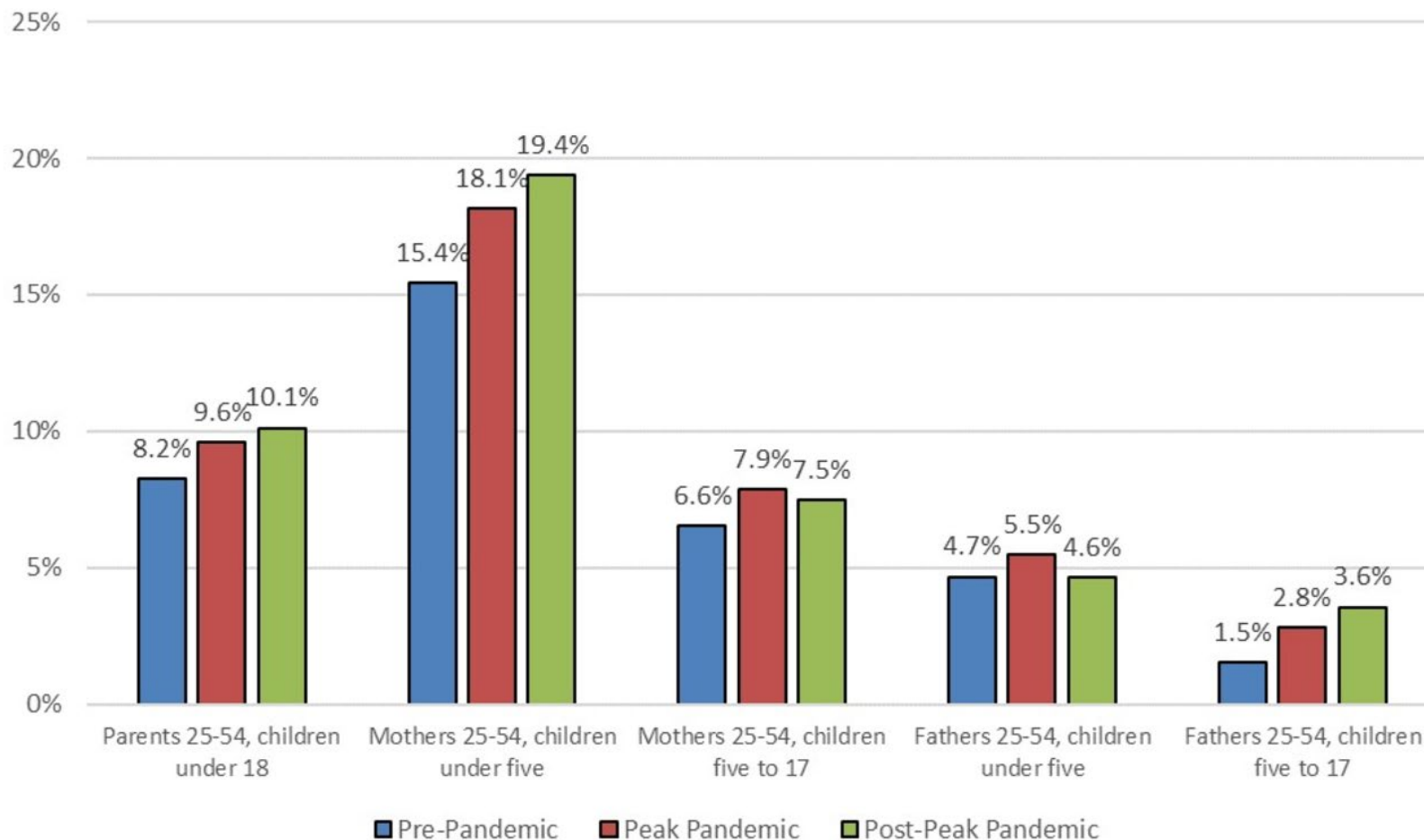
**The childcare supply is impacted by the conditions of the childcare workforce**



**Policy responses are fragmented, and solutions emerge at the community level**

# Increasing share of parents reporting childcare as main reason for not seeking work

## Share of respondents citing childcare problems as main reason for not seeking work

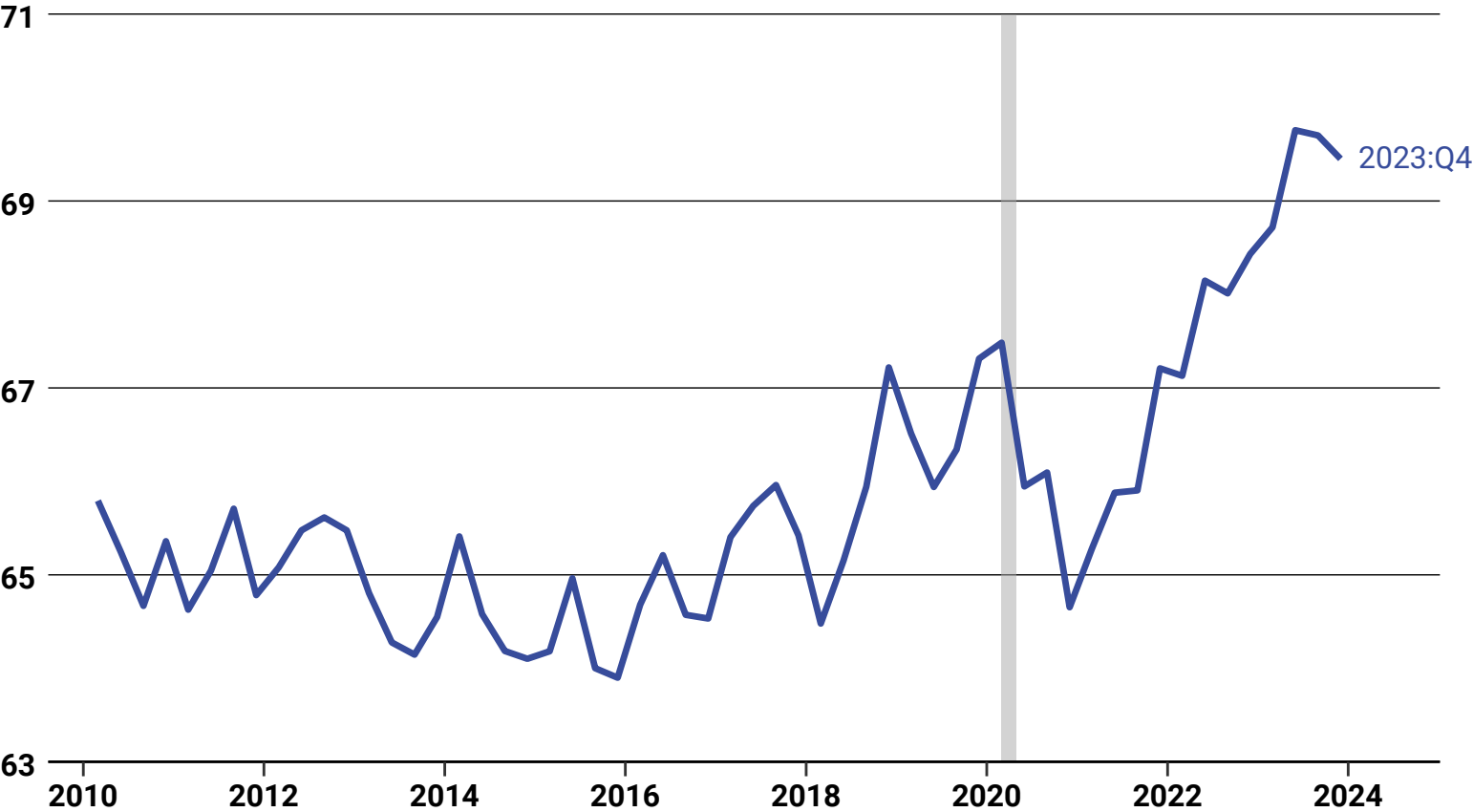


Source: IPUMS CPS, University of Minnesota, [www.ipums.org](http://www.ipums.org).

# Women with young kids are working more

## Labor Force Participation Rate: Women Ages 25-54, Youngest Child <5

(Percent)

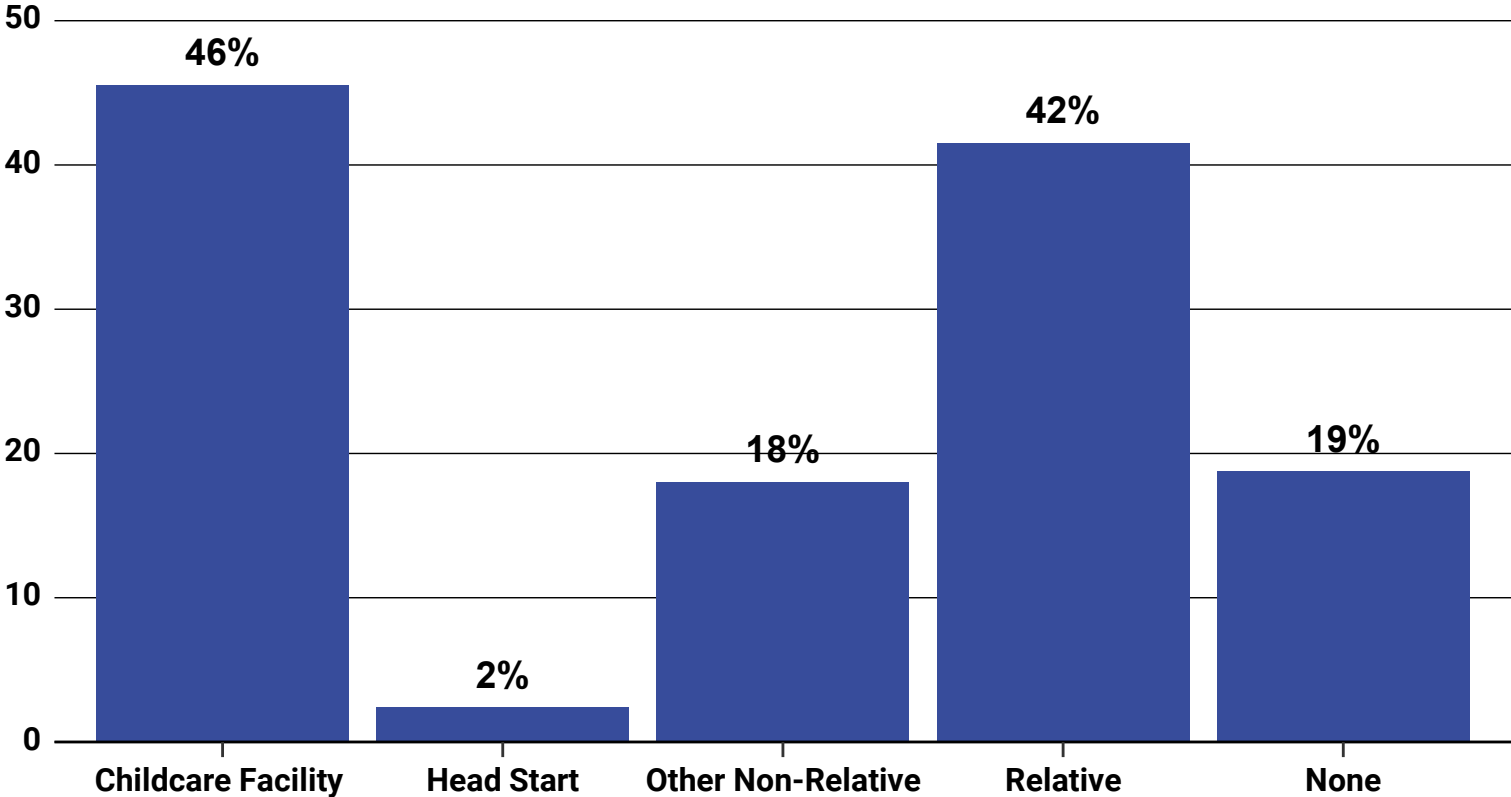


Source: U.S. Census Bureau, Current Population Survey

# Childcare facilities or care from relatives are most common

## Type of Childcare: 7th District

(Percent of households; respondent is working female with kids only ages 0-4)

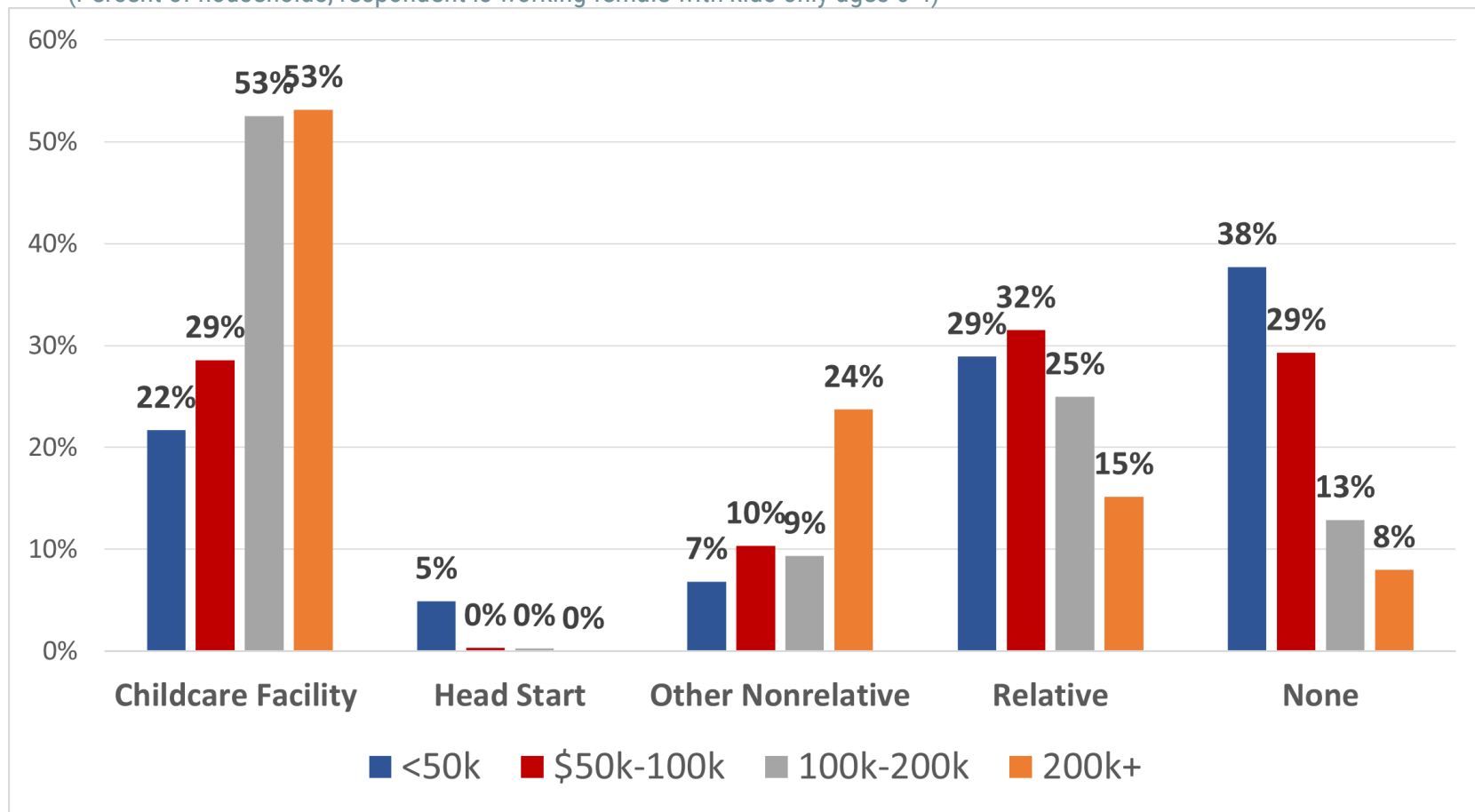


*Note: Does not sum to 100 as respondents can select multiple care types (28% of households).  
Source: U.S. Census Bureau, Household Pulse Survey, Sept 2022- April 2023*

# Childcare source varies by household income

## Type of Childcare: By Household Income in 7<sup>th</sup> District

(Percent of households; respondent is working female with kids only ages 0-4)



Note: Does not sum to 100 as respondents can select multiple care types (28% of households).

Source: U.S. Census Bureau, Household Pulse Survey, Sept 2022 – April 2023



# How much does childcare cost in the 7<sup>th</sup> district?

Share Not Paying by Childcare Type, 7<sup>th</sup> District

Childcare Type	Share Not Paying (%)
<b>Overall</b>	<b>41</b>
Head Start	90
Relative Care	81
Childcare Facility	10
Other, Non-Relative Care	4

*Note: Respondent is working female only with only one child, ages 0-4; conditional on using only one type of childcare in prior week.*

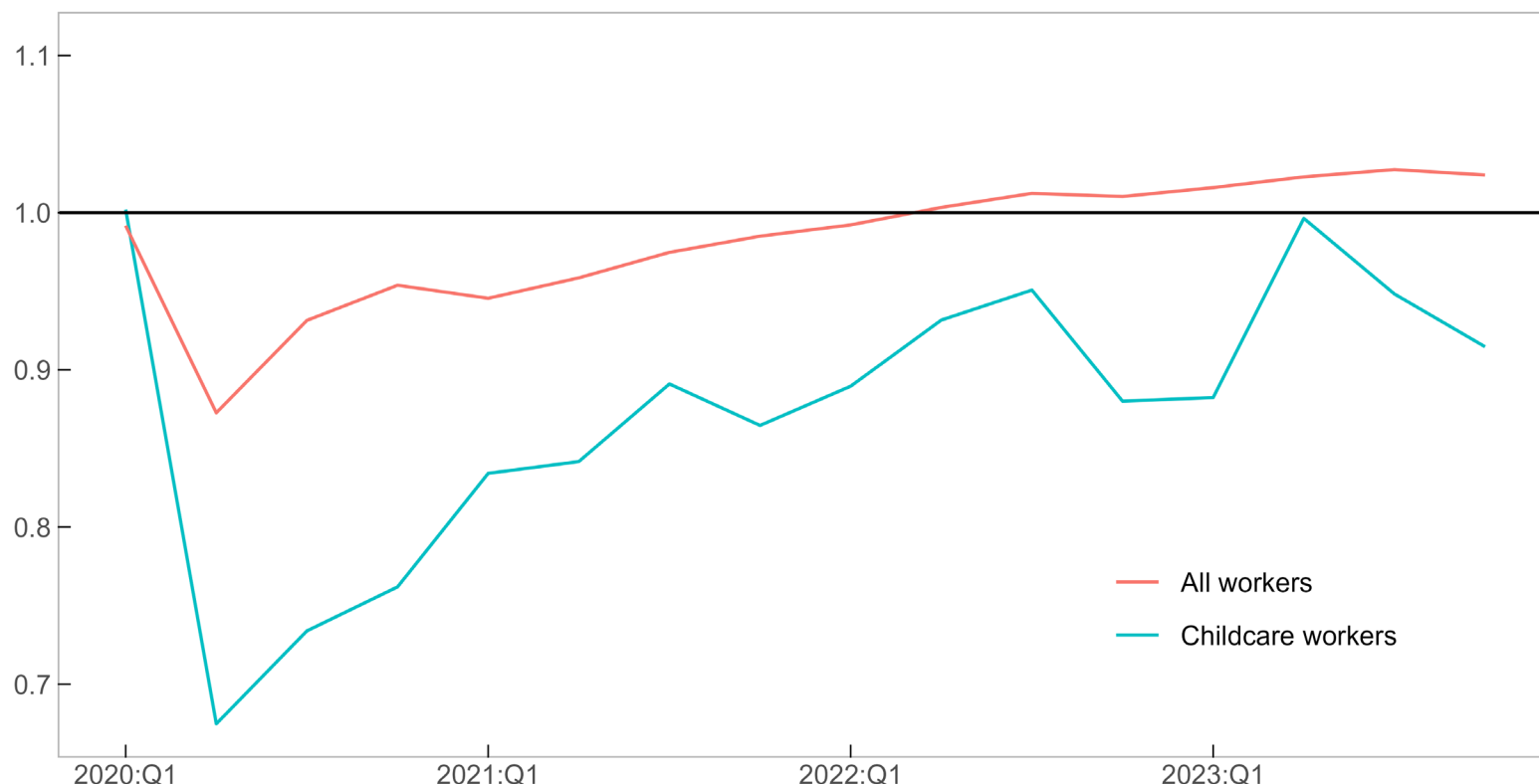
*Source: U.S. Census Bureau, Household Pulse Survey, Sept 2022- April 2023*

- **Conditional on paying for childcare for one child under 5, the average weekly cost in 7<sup>th</sup> district is \$267 (\$13,884/year).**
  - US average: \$325 per week
  - Chicago average: \$397 per week

# Childcare employment still 9% below pre-pandemic levels

- In 2019, there were approximately 1.7 million childcare workers, broadly defined.

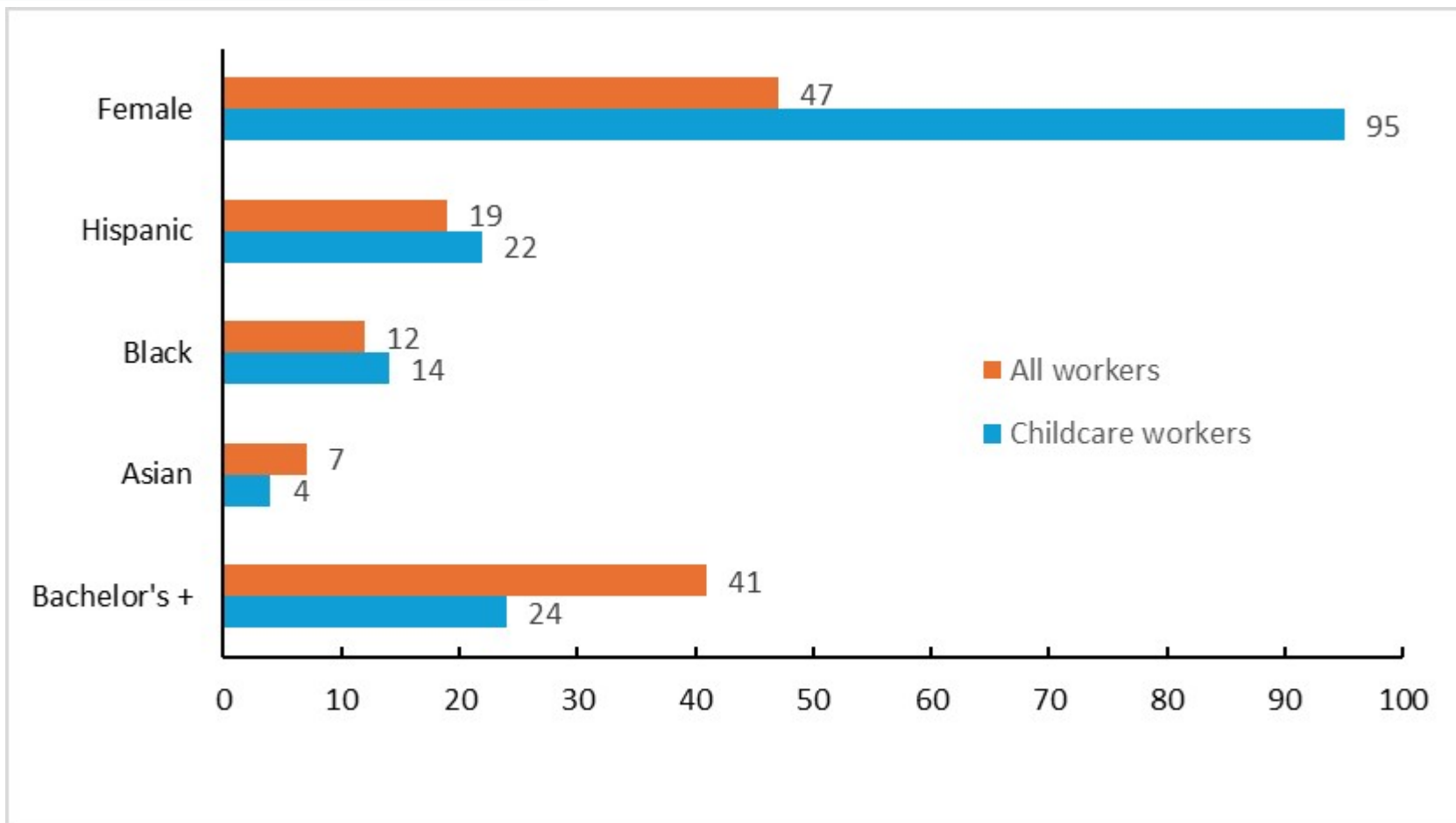
**Relative Quarterly Employment for Childcare and All workers**  
index, 2019=1.0



Source: Authors' calculations based on data from the U.S. Bureau of Labor Statistics, 2019–23 *Current Population Surveys*, from [IPUMS CPS](#).

# Who are the childcare workers?

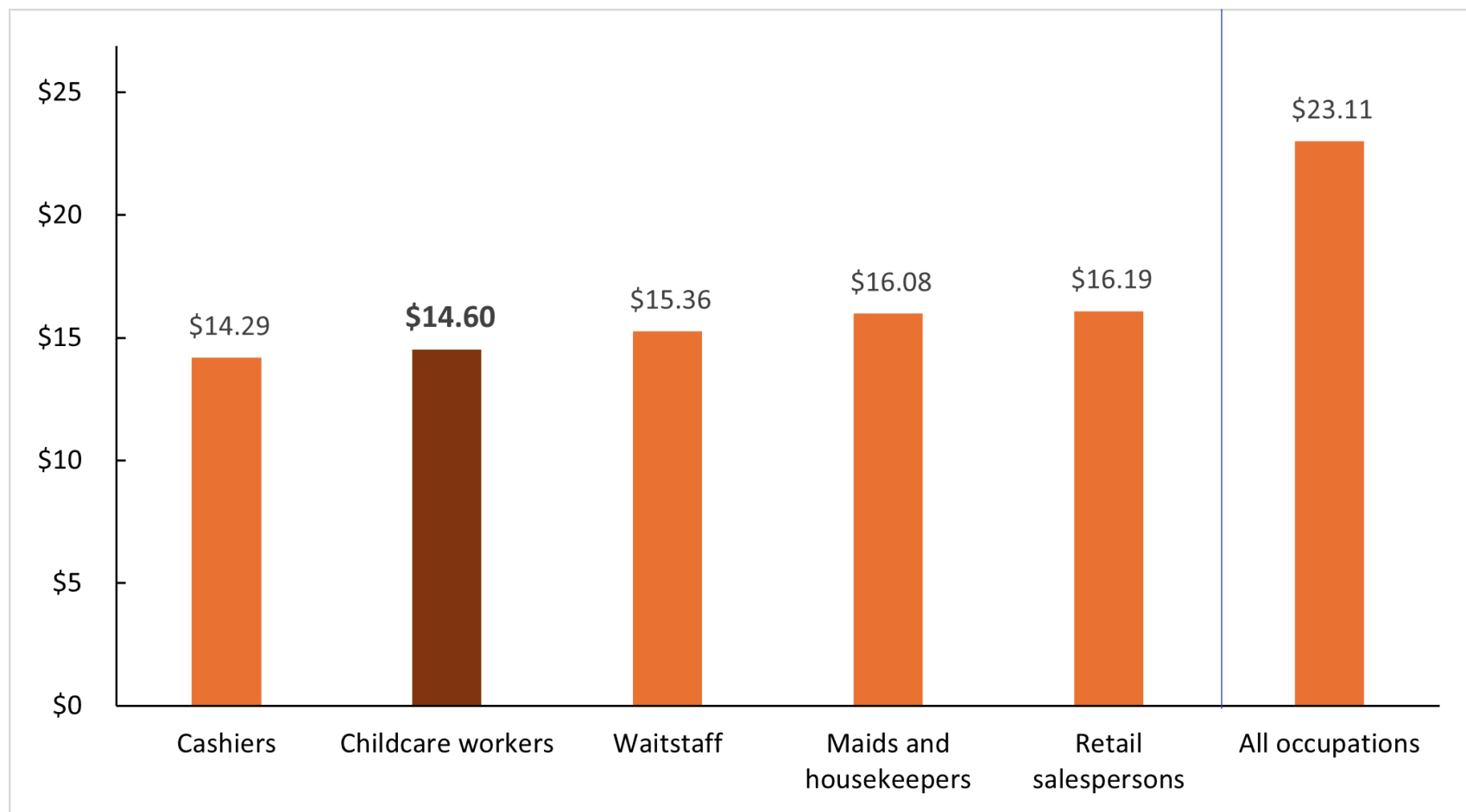
Worker Demographics (%), 2022-2023



Source: Authors' calculations based on data from the U.S. Bureau of Labor Statistics, 2022-23 Current Population Surveys, from [IPUMS CPS](#).

# Childcare wages are in bottom 5% of all occupations

Median Hourly Wage, by occupation, 2023

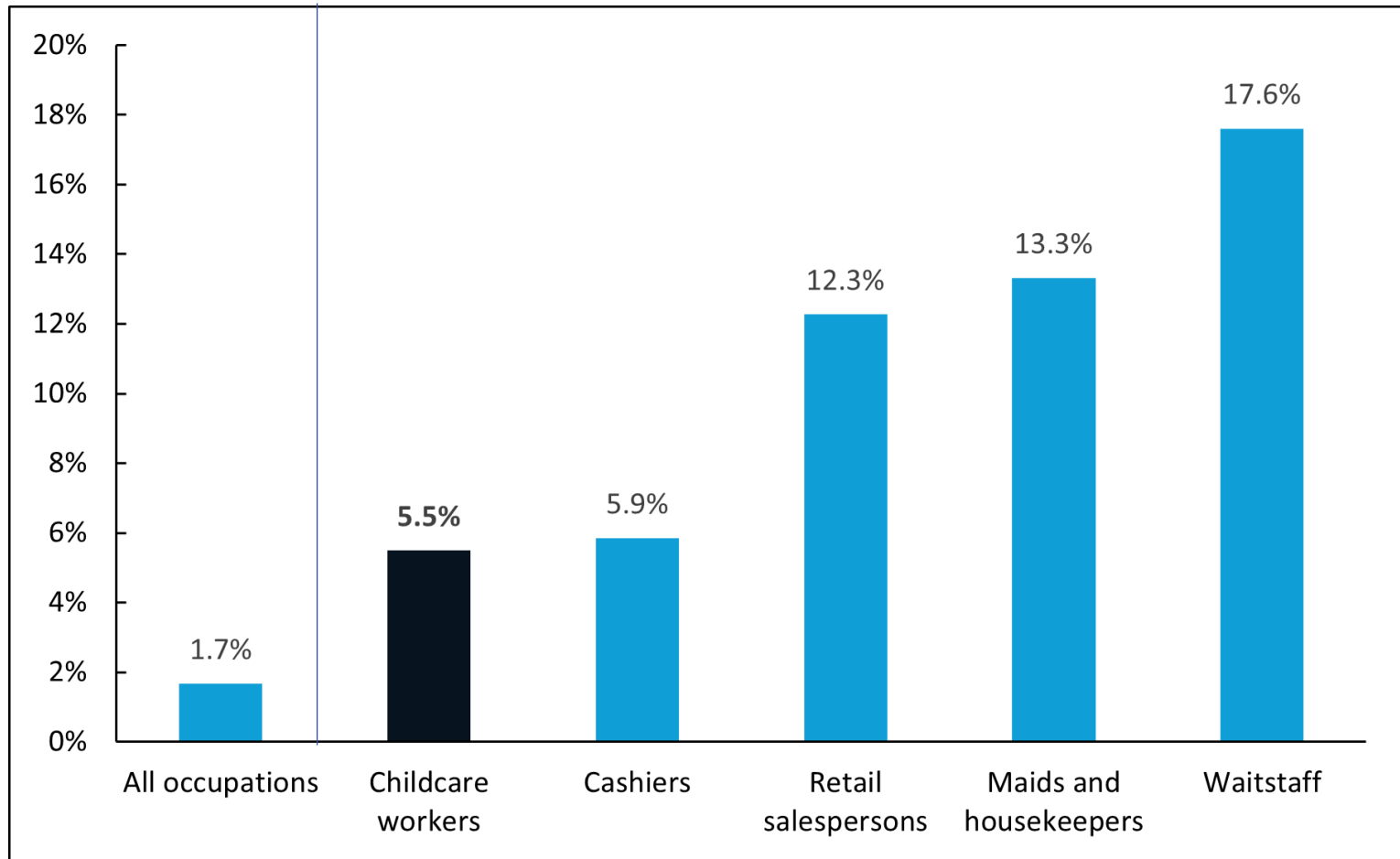


Source: BLS Occupational and Employment Wage Statistics (OEWS)

And have increased *slower* than other low-wage occupations.

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**Growth in Real Median Hourly Wage, by occupation, 2019–23**



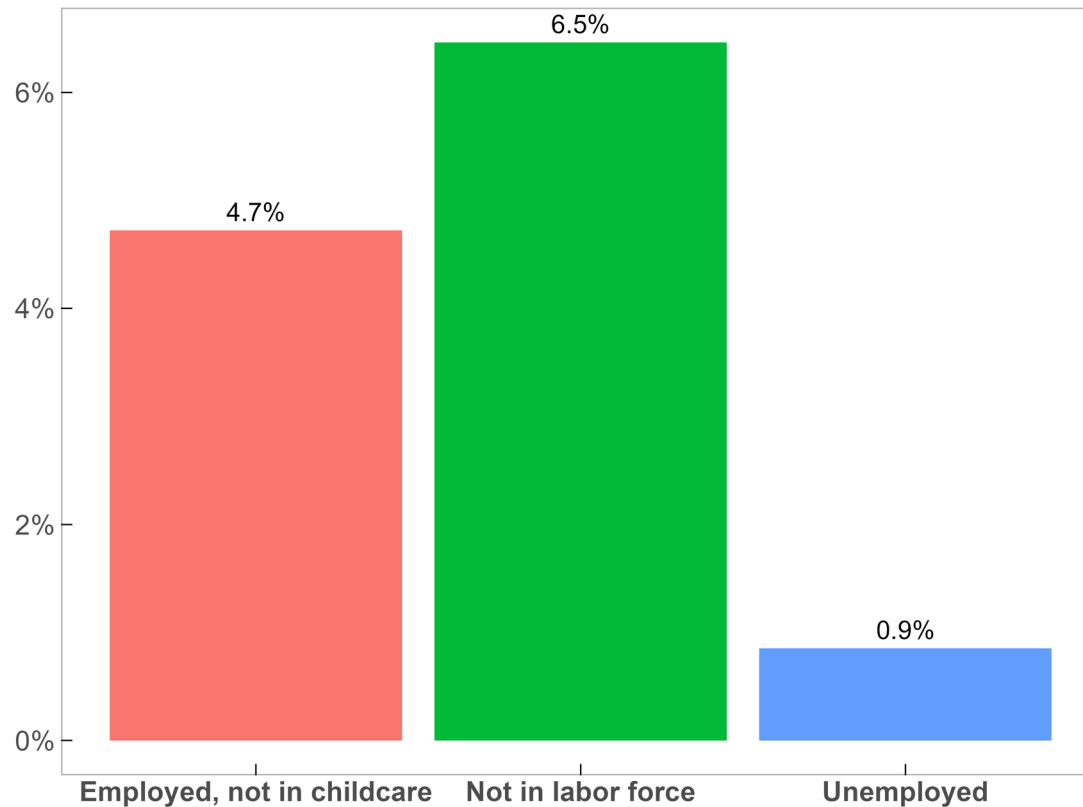
Source: Authors' calculations based on data from the U.S. Bureau of Labor Statistics, 2019 and 2023 *Occupational Employment and Wage Statistics*.

# There's a lot of occupation turnover

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- **About 13% of childcare workers leave the occupation each month.**
  - More than double average transition rate for employment as a whole

**Average monthly transition rates out of employment in the childcare sector (%), 2023**



Source: Authors' calculations based on data from the U.S. Bureau of Labor Statistics, 2023 *Current Population Survey*, from [IPUMS CPS](#).

## **Policy responses are fragmented, and solutions emerge at the community level**

[Childcare Facility Financing: Perspectives from Three Decades of Supporting Childcare Centers - Federal Reserve Bank of Chicago \(chicagofed.org\)](#)

[Cedar Valley Kids: Addressing Local Childcare Needs Through Community Collaboration and Employer Partnerships - Federal Reserve Bank of Chicago \(chicagofed.org\)](#)

[Michigan's Tri-Share Program: One Promising Childcare Solution for Working Parents - Federal Reserve Bank of Chicago \(chicagofed.org\)](#)

[Responding to the Childcare Needs of Shift Workers: Examples from the Automotive Industry - Federal Reserve Bank of Chicago \(chicagofed.org\)](#)

[Building Momentum in Northeast Wisconsin to Improve Access to Childcare - Federal Reserve Bank of Chicago \(chicagofed.org\)](#)

[Childcare for Women in the Trades: The Milwaukee Pilot Program - Federal Reserve Bank of Chicago \(chicagofed.org\)](#)

[Fed Listens: Exploring Challenges Facing the Childcare Industry, Working Parents, and Employers - Federal Reserve Bank of Chicago \(chicagofed.org\)](#)

# Key takeaways

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- **Many report childcare access as potential barrier to working**
  - Female LFP rate putting upward pressure on demand?
- **Majority use childcare facilities and/or relatives for care**
  - Dependent on family income levels
- **Childcare labor market hard-hit during pandemic and hasn't fully recovered**
  - Labor-intensive sector; hard to increase supply w/o more workers
- **Childcare wages have grown more slowly than for other low-wage service sector jobs**
  - Low wages → high transition rates out of industry
  - Balancing affordability and sustainable wages for workers
- **Communities and states continue to innovate policy and practice solutions**





[www.chicagofed.org](http://www.chicagofed.org)